

Message Text

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PAGE 01 RIO DE 00974 031656Z
ACTION XMB-04

INFO OCT-01 ARA-10 ISO-00 EB-08 COME-00 TRSE-00 SS-15
/038 W

-----105503 040528Z /13

R 031402Z MAR 78
FM AMCONSUL RIO DE JANEIRO
TO SECSTATE WASHDC 5897
AMEMBASSY BONN
INFO AMEMBASSY BRASILIA
AMCONSUL SAO PAULO

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PASS EXIMBANK

E.O. 11652: N/A
TAGS: BEXP, EFIN, BR; GW
SUBJECT: HIGH-VOLTAGE DIRECT CURRENT TRANSMISSION PROJECT

REF: RIO 836 (BEING REPEATED TO BONN)

1. VISITING EXIMBANK OFFICIALS CHAPMAN AND SANTOS AND RIO E/C CHIEF CALLED ON FURNAS DIRECTOR (FINANCE) JORGE LINS FREIRE ON MARCH 2. IN ADDITION TO DISCUSSIONS ON ANGRA I FINANCING (SEPTTEL), WE RAISED THE HVDC PROPOSAL BY GE (REFTTEL) TO POINT OUT THAT, ALTHOUGH A PRELIMINARY COMMITMENT WOULD REQUIRE MORE TIME FOR STUDY, EXIM WAS DEFINITELY INTERESTED IN SUPPORTING THE AMERICAN OFFER. CHAPMAN SAID EXIM'S BOARD WOULD SOON ACT ON A PC FOR THE SO-CALLED "ANTICIPATION PROJECT" FOR TRANSMISSION FROM ITAIPU -- AN ALTERNATING-CURRENT LINE TO BE BUILT WEST FROM SAO PAULO TO FACILITATE LOAD-SHARING WITH ELECTROSUL, CONNECT SEVERAL OTHER HYDRO SITES, AND TO BE COMPLETED BY 1981. FREIRE AND HIS ADVISERS NOTED THAT BIDS FOR FIRST TWO PACKAGES UNDER "ANTICIPATION" HAD BEEN SOLICITED FROM
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U.S. SUPPLIERS, BUT NONE HAD BEEN FORTHCOMING; HE WAS HOPEFUL THAT THREE OTHERS, TO BE REQUESTED THIS MONTH, WOULD GET BETTER RESPONSE. EXIM NOTED DEFINITE INTEREST BY U.S. SUPPLIERS, AS REFLECTED IN CONVERSTATIONS LEADING TO PC.

2. ON THE HVDC PROJECT, WE ASKED WHETHER OTHER OFFERS HAD BEEN RECUIVED. FREIRE SAID SEVERAL HAD, IN FACT, BEEN

RECEIVED, MENTIONING ASEA AS A SEPARATE OFFER AS WELL AS A "GERMAN AND AUSTRIAN" GROUP (WHICH MAY, IN FACT, BE SIEMENS AND THE SWISS BROWN-BOVERI). HE SAID THAT ALL OFFERS WERE "IN ADVANCE" OF FURNAS' OWN CONCEPT OF THE TIMING FOR THE ITAIPU LINE (GE HAD PREVIOUSLY TOLD US THAT THEY UNDERSTOOD THE EUROPEAN SUPPLIERS WOULD NEED MORE LEAD TIME THAN GE, AND THAT THEY HAD THEREFORE JUMPED IN WITH UNSOLICITED PROPOSALS. EVEN GE, HOWEVER, WOULD LIKE TO HAVE A FIRM CONTRACT IN HAND WITHIN A YEAR IN ORDER TO MEET COMFORTABLY THE LIKELY TERMINATION DATE OF THE FIRST 50-CYCLE GENERATORS AT ITAIPU IN ABOUT 1983.) WHILE FURNAS HAD NOT SOLICITED THE OFFERS, FREIRE STRONGLY IMPLIED THAT IT WAS HAPPY TO HAVE THEM IN HAND, AND WAS ACTIVELY STUDYING THEM. (COMMENT: ON THE OTHER HAND, HE GAVE NO HINT THAT THESE STUDIES WERE IN CONNECTION WITH PRESIDENT GEISEL'S TRIP TO GERMANY NEXT WEEK -- SEE REFTTEL.)

3. WHEN ASKED ABOUT THE TERMS IN THE EUROPEAN OFFERS, FREIRE WAS QUITE GUARDED BUT SUGGESTED THAT AN IMPORTANT ELEMENT WOULD BE THE FINANCING OF LOCAL COSTS. HE ASKED WHETHER EXIMBANK COULD CONSIDER GUARANTEEING A FURNAS OR ELECTROBRAS (HOLDING COMPANY WHICH CONTROLS FURNAS AND OTHER MAJOR BRAZILIAN POWER FIRMS) BOND ISSUE FLOATED IN THE U.S. EXIM OFFICIALS EXPLAINED COMPLICATIONS, INCLUDING POSSIBLE HIGHER COSTS THAN FOR A DIRECT FINANCING. FREIRE STRESSED THAT HIS THOUGHTS ON THE QUESTION WERE STRICTLY LIMITED OFFICIAL USE

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"INFORMAL," AND SHOULD NOT BE TAKEN AS AN OFFICIAL FURNAS POSITION. A BOND ISSUE, HE THOUGHT, COULD BE TIED TO LOCAL COSTS FOR THE HVDC PROJECT -- AND ELECTROBRAS MIGHT BE WILLING TO MAKE A SPECIFIC LINK. ASKED WHETHER THE EUROPEAN OFFERS INCLUDED LOCAL-COST FINANCING, FREIRE FIRST POINTED TO PREVIOUS EURODOLLAR BOND ISSUES WHICH IN EFFECT DID SUPPORT LOCAL COSTS. HE LATER SAID THAT THE "UNSOLICITED OFFERS" DID INCLUDE SOME LOCAL-COST FINANCE, THOUGH HE WOULD NOT SPECIFY EXACTLY WHAT HAD BEEN PROPOSED.

4. EXEMPT FROM AUTOMATIC DECONTROL.
DEXTER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PROPOSALS (BID), ELECTRIC POWER PLANTS, CONTRACTS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978RIODE00974
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
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Errors: N/A
Expiration:
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Format: TEL
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Handling Restrictions: n/a
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ISecure: 1
Legacy Key: link1978/newtext/t197803109/aaaadorg.tel
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TAGS: BEXP, EFIN, ENRG, BR, GE, US, GENERAL ELECTRIC, XMB, GE
To: STATE BONN
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